(formerly Cradle Resources Limited)

Half-Year Report
31 December 2023

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Corporate Directory

Directors
Grant Davey – Executive Director
Matthew Kay – Managing Director
Chris Bath – Non-Executive Director
David Wheeler – Non-Executive Director

Company Secretary
Catherine Anderson

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Perth WA 6000

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Securities Exchange Listing
Earths Energy Limited shares are listed on the Australian Securities Exchange

ASX Code
EE1 – Fully paid Ordinary Shares

Share Registry
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Perth WA 6000

Telephone: +61 1300 554 474

Auditors
Ernst & Young
11 Mounts Bay Road
Perth WA 6000

Website
Earths Energy

ABN 60 149 637 016

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The Directors of Earths Energy Limited (formerly Cradle Resources Limited) (the "Company") and its subsidiaries (the "Group") present their report for the six months ended 31 December 2023.

Directors

The names of the Company's Directors in office during the six months ended 31 December 2023 and until the date of this report, unless otherwise indicated, are set out below:

Mr Grant Davey, Executive Director
Mr. Matthew Kay, Managing Director (appointed 7 February 2024)
Mr Chris Bath, Non-Executive Director
Mr David Wheeler, Non-Executive Director

Operating and Financial Review

Overview

In July 2023 the Company announced it had entered into a binding agreement to acquire 84% of all the issued shares in Volt Geothermal Pty Ltd ("Volt") and Within Energy Pty Ltd ("Within") (collectively "Acquisitions"), which hold geothermal assets in Queensland and South Australia ("the Projects").

The Projects comprise of prospective geothermal exploration licences in South Australia and Queensland.

Earth Energy's geothermal assets in South Australia span 12,035 km² in prime locations. These blocks are strategically situated along major transmission lines and adjacent to large-scale mining operations such as Olympic Dam and Carrapateena and Four Mile / Beverly, all major consumers of energy in South Australia.

In Queensland, Earths Energy has one granted geothermal exploration permit, EPG 2026, which is located near Brisbane and substations and regional power networks. Additionally, the Company has three blocks under application that are located near the Gold Coast and major industrial activity in the Bowen and Surat Basin mining and coal seam gas area.

As part of the Acquisitions and transition into the renewable energy sector, the Company appointed Mr Matt Kay as Managing Director, effective from the date that the Company's securities re-commenced trading on ASX, being 7 February 2024. The Company has also appointed Dr Trey Meckel as Head of Subsurface.

In conjunction with the Acquisitions, the Company completed a capital raise of $6,000,000, via the issue of 300,000,000 shares at $0.02 per share. The capital raised will be utilised to fund the work programme for the Projects and for working capital purposes.

ASX approved the reinstatement to quotation of the Company's securities and the Company re-commenced trading on 7 February 2024 following re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

The Company plans to focus on systematically exploring early-stage geothermal targets and developing geothermal resources. This will involve a fit-for-purpose exploration programme analysing subsurface geology to identify thermal resource potential at different well depths, undertaking preliminary survey and resource assessments based on offset well data, exploration location definition and exploration drilling. This will determine priority targets for exploration drilling for geothermal resources.

As Australia transitions to a Net Zero economy and reduces its reliance on fossil fuels, there are significant advantages from the use of geothermal energy, including:

- reliable and dispatchable source of energy - available 24 hours per day
- clean energy with low environmental impact
- small acreage area required for geothermal plant and facilities
- no storage or transportation requirements
- energy extraction without the use of fossil fuels
- broad public support in countries in which it operates
- the highest renewable energy capacity and generation of all renewable energies

The pathway for the maturation and potential commercialisation of geothermal assets are not dissimilar to an onshore oil and gas project, with total project risks diminishing through each phase:

1. preliminary survey and inferred resource assessments based on offset well data;
2. exploration location definition and basic design;
3. verification drilling to feed into detailed design;
4. project review and planning;
5. field development and production drilling;
6. construction; and
7. start-up and commissioning.

Acquisition

As noted above, the Company acquired 84% of all the issued shares in Volt and Within with the consideration being 220,360,329 shares in the Company.

Pursuant to the terms of the agreement, the Company also has the right to acquire, and require each Seller to sell, their respective proportions of shares retained by them ("Retained Shares") at any time from the third anniversary of Completion.

On 6 December 2023 shareholders approved, amongst other things, the Acquisitions, together with a change in name to Earths Energy Limited and a change in nature and scale of the Company's activities.

On 28 December 2023 ("the Completion Date"), the Acquisitions were completed and the Company issued 220,360,329 shares at $0.02 per share as consideration.

As a result of the Acquisitions, the Company has assessed that it has control over Volt and Within pursuant to AASB 10, and the financial report for the six months ended 31 December 2023 includes the consolidated financial statements and notes of Earths Energy Ltd and its controlled entities. The remaining 16% shareholding in both Volt and Within was accounted for as non-controlling interest as at the same date.

Refer to note 11 for detailed discussion of the Acquisitions.

Geothermal Energy's Role in a Balanced Renewable Mix

Geothermal energy, with its ability to provide consistent and reliable baseload power, stands out as a significant and sustainable source of renewable energy that can help 'plug the gap' in our energy mix. Unlike variable renewable sources such as wind and solar, geothermal power is not subject to weather conditions or daily fluctuations, instead providing electricity around the clock. This characteristic is particularly valuable for ensuring the stability of the power grid and for providing a steady supply of energy to meet the base level of demand, replacing other base load power such as coal fired generation.

Geothermal energy is well established globally

- Geothermal energy has been produced for over 100 years and geothermal power plants have been installed in 30 countries
- As of January 2024, global geothermal power generation capacity stood at 16,335 MWe with 208 MWe capacity installed during 2023[1]
- Over 400 plants world wide, on average ~40MWe

EE1 positioned to succeed in the renewable energy industry

- **Early mover in Australia:** Assembled prospective and advanced geothermal opportunities across both Queensland and South Australia
- **Existing infrastructure:** Portfolio of assets is near existing infrastructure and customers for early commercialisation
- **Proven team:** Established a high calibre team of energy industry leaders

South Australia Portfolio:
Close to Lines and Mines

Earths Energy's geothermal assets in SA are at the nexus of the state's push towards renewable energy, with substantial exploration blocks spanning 12,035 km² in prime locations (See Figure 1). These blocks are strategically situated along major transmission lines and adjacent to large-scale mining operations, such as Olympic Dam and Carrapateena and Four Mile / Beverly, all major consumers of energy in SA.

[1] https://www.thinkgeoenergy.com/thinkgeoenergys-top-10-geothermal-countries-2023-power-generation-capacity/

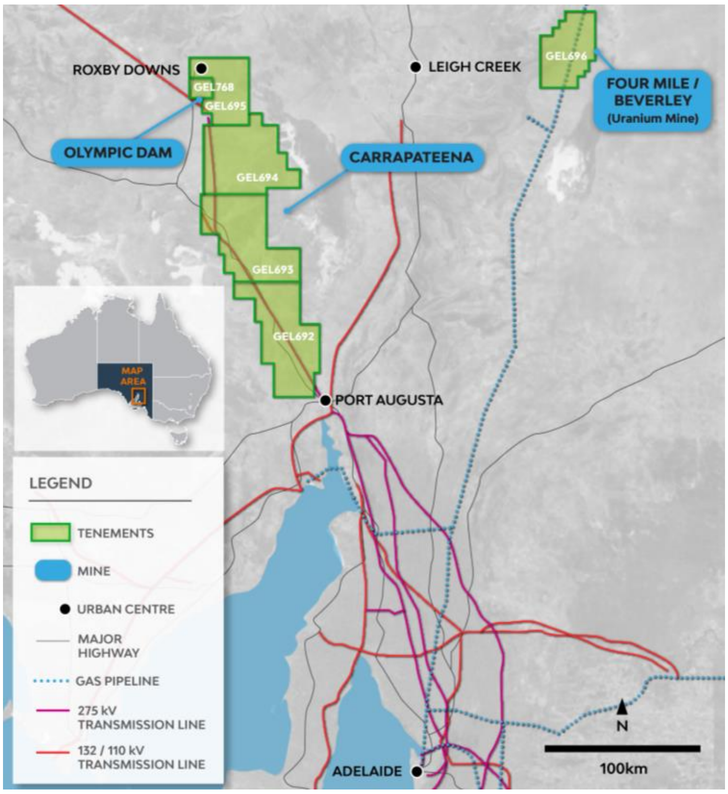

Figure 1 – South Australian geothermal exploration licences

Queensland Portfolio:
Meeting East Coast Australia's growing Power Demand

In Queensland, Earths Energy has one granted tenement and three tenements under application. EPG2026, located near Brisbane metro, provides potential to access ~400 substations and >75% of Queensland population via existing distribution (subject to regulatory approvals). Tenements under application are located near Brisbane metro and near major industrial activity in the Bowen and Surat Basin mining areas.

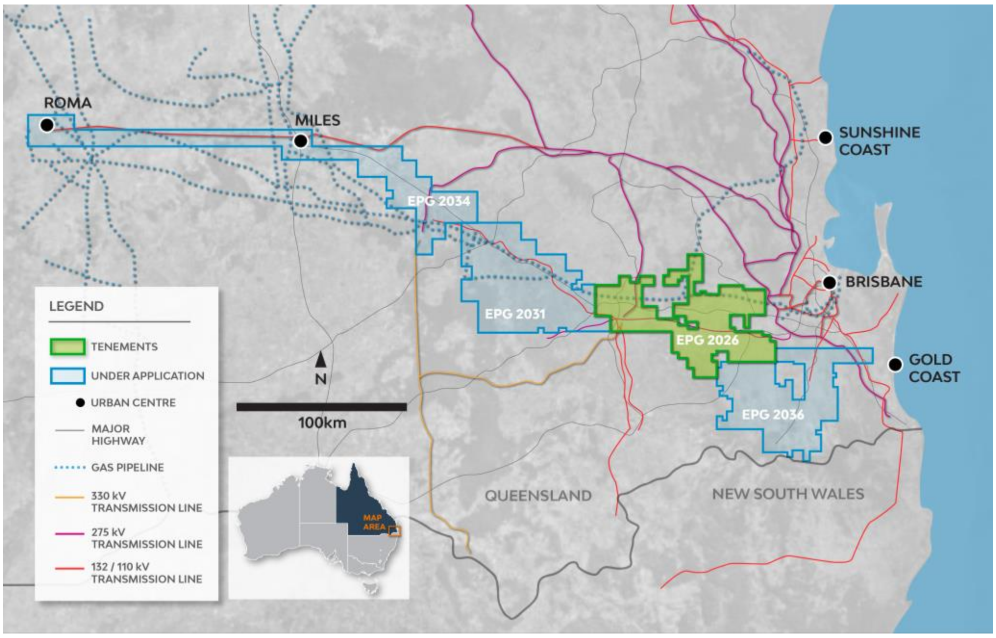

Figure 2 – Queensland geothermal exploration licences and applications

Financial Results

The net loss of the Group for the six months ended 31 December 2023 was $711,467 (31 December 2022: $179,180). The net loss attributable to the newly acquired entities and the non-controlling interests amounted to $Nil as there were no transactions from the Completion Date to 31 December 2023.

Financial Position

At 31 December 2023, the Group's cash and cash equivalents amounted to $6,024,364 (30 June 2023: $4,877) and the net assets amounted to $10,846,690 (30 June 2023: net liabilities of $216,211).

On 7 July 2023, the Company completed a placement of $850,000 by way of the issue of 42,500,000 new shares at $0.02 plus a free attaching option with an exercise price of $0.05 and expiry of three years from date of issue.

On 9 December 2023, the Company completed a $6 million capital raise to fund the Projects work program and for working capital purposes by the issue of 300,000,000 shares at $0.02 per share.

As at 31 December 2023, the Company had received conditional approval for re-quotation to the Official List of ASX, with ASX confirming it would re-quote the Company's securities on the official list of ASX, subject to satisfaction of certain conditions precedent. Accordingly, funds with an aggregate amount of $6,000,000 were classified as part of the contributed equity at 31 December 2023.

The Company had in place a non-recourse subordinated debt facility of $500,000 with Davey Management (Aus) Pty Ltd ("Davey Management"), a related entity of Director Mr Grant Davey. The key terms are:

- Facility Limit of $500,000 (undrawn);
- Interest rate of 8% per annum;
- Limited recourse - The recourse of the Lender against the Company is limited to the assets of the Company after payment of all unsubordinated creditors; and
- Subordination - the repayment of the total outstanding amount shall be subordinated and postponed and made subject to all debts, claims, demands, rights and causes of action of all unsubordinated creditors.

This subordinated debt facility was terminated by mutual agreement on 29 February 2024 following the completion of the Acquisitions, capital raise of $6 million and the re-listing of the Company on ASX.

Events occurring after the balance sheet date

on 29 February 2024, the subordinated debt facility between the Company and Davey Management was terminated by mutual agreement
Other than as noted above, at the date of this report there are no matters or circumstances which have arisen since 31 December 2023 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 December 2023, of the Consolidated entity;
- the results of those operations, in financial years subsequent to 31 December 2023, of the Consolidated entity; or
- the state of affairs, in financial years subsequent to 31 December 2023, of the Consolidated entity.

Auditor's independence declaration

The auditor's independence declaration as required pursuant to section 307C of the Corporations Act 2001 is set out on page 8.

Signed in accordance with a resolution of the directors.

Grant Davey
Executive Director

8 March 2024
Perth

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As lead auditor for the review of the half-year financial report of Earths Energy Limited for the half-year ended 31 December 2023, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;

b. No contraventions of any applicable code of professional conduct in relation to the review; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of Earths Energy Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

Pierre Dreyer
Partner
8 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the six months ended 31 December 2023

	Notes	31 December 2023 $	31 December 2022 $
Interest income		**2,944**	51
Sundry Income	4	**-**	11,821
Total income		**2,944**	11,872
ASX re-compliance costs		**(486,860)**	-
Corporate and administrative expenses	4	**(130,610)**	(73,494)
Consultancy fees, including directors' fees	4	**(96,000)**	(117,558)
Finance costs – interest expense on loan payable		**(941)**	-
Loss before tax		**(711,467)**	(179,180)
Tax expense		**-**	-
Net loss for the period		**(711,467)**	(179,180)
Other comprehensive loss for the period, net of tax		**-**	-
Total comprehensive loss for the period		**(711,467)**	(179,180)
Loss and other comprehensive loss attributable to:			
Members of parent		**(711,467)**	(179,180)
Non-controlling interests		**-**	-
		(711,467)	(179,180)
Loss per share			
Basic and diluted loss per share (cents per share)		**(0.33)**	(0.10)

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the notes to the consolidated interim financial statements.

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Consolidated Statement of Financial Position
As at 31 December 2023

	Notes	31 December 2023 $	30 June 2023 $
ASSETS			
Current Assets			
Cash and cash equivalents	5	**6,024,364**	4,877
Other receivables	6	**109,708**	26,309
Total Current Assets		**6,134,072**	31,186
Non-current Assets			
Exploration & evaluation assets	7	**5,332,574**	-
Total Non-current Assets		**5,332,574**	-
TOTAL ASSETS		**11,466,646**	31,186
LIABILITIES			
Current Liabilities			
Trade and other payables	8	**(614,091)**	(229,801)
Loan payable	8	**(5,865)**	(17,596)
Total Current Liabilities		**(619,956)**	(247,397)
TOTAL LIABILITIES		**(619,956)**	(247,397)
NET ASSETS/(LIABILITIES)		**10,846,690**	(216,211)
EQUITY/(DEFICIENCY ON EQUITY)			
Contributed equity	9	**21,807,744**	11,034,280
Reserves	10	**147,943**	-
Non-controlling interests	10	**852,961**	-
Accumulated losses		**(11,961,958)**	(11,250,491)
TOTAL EQUITY/ (DEFICIENCY ON EQUITY)		**10,846,690**	(216,211)

The consolidated statement of financial position should be read in conjunction with the notes to the consolidated interim financial statements.

	Issued Capital $	Share-based Payments Reserve $	Consolidation Reserve $	Accumulated Losses $	Non-controlling Interests $	Total Equity $
Balance at 1 July 2023	11,034,280	-	-	(11,250,491)	-	**(216,211)**
Total comprehensive loss for the year						
Net loss for the period	-	-	-	(711,467)	-	**(711,467)**
Total comprehensive loss for the period	-	-	-	(711,467)	-	**(711,467)**
Transactions with owners in their capacity as owners:						
Issuance of shares from initial capital offer	850,000	-	-	-	-	**850,000**
Issuance of shares from capital raising (note 10)	6,000,000	-	-	-	-	**6,000,000**
Issuance of shares from Acquisitions (note 10)	4,407,207	-	-	-	852,961	**5,260,168**
Share issue costs on Acquisitions	(335,800)	-	-	-	-	**(335,800)**
Share-based payments to lead manager	(147,943)	147,943	-	-	-	**-**
Balance at 31 December 2023	**21,807,744**	**147,943**	**-**	**(11,961,958)**	**852,961**	**10,846,690**
Balance at 1 July 2022	11,034,280	-	10,921,281	(21,814,966)	-	140,595
Total comprehensive loss for the year						
Net loss for the period	-	-	-	(179,180)	-	(179,180)
Total comprehensive loss for the period	-	-	-	(179,180)	-	(179,180)
Balance at 31 December 2022	11,034,280	-	10,921,281	(21,994,146)	-	(38,585)

The consolidated statement of changes in equity should be read in conjunction with the notes to the consolidated interim financial statements.

	Note	31 December 2023 $	31 December 2022 $
Cash flows used in operating activities			
Payments to suppliers and employees		**(821,726)**	(195,808)
Other income		**-**	11,821
Interest paid		**(941)**	-
Interest received		**2,944**	51
Net cash used in operating activities		**(819,723)**	(183,936)
Cash flows used in investing activities			
Proceeds from return of security deposit		**-**	62,018
Net cash from investing activities		**-**	62,018
Cash flows used in financing activities			
Repayment of borrowing		**(10,790)**	-
Proceeds from the issue of ordinary shares		**850,000**	-
Share subscriptions received		**6,000,000**	-
Net cash from financing activities		**6,839,210**	-
Net increase/(decrease) in cash and cash equivalents		**6,019,487**	(121,918)
Cash and cash equivalents at beginning of period		**4,877**	149,804
Cash and cash equivalents at end of period	5	**6,024,364**	27,886

The consolidated statement of cash flows should be read in conjunction with the notes to the consolidated interim financial statements.

1. Corporate Information

The interim financial statements includes the consolidated interim financial statements of Earths Energy Limited (formerly Cradle Resources Limited) (the "Company") and its controlled entities ("Consolidated entity" or the "Group") for the six months ended 31 December 2023. The half year financial report were authorised for issue in accordance with a resolution of the directors on 8 March 2024.

The Company is a for-profit company limited by shares and incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange. The registered office is located at Level 20, 140 St Georges Terrace Perth, Western Australia.

The nature of the operations and principal activities of the Company are as described in the Directors' Report.

2. Basis of Preparation

The consolidated interim financial statements for the six months ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*. It is intended to provide users with an update on the latest annual financial statements of the Company and as such they do not include full disclosures of the type normally included in the annual report. It is recommended that they be read in conjunction with the 2023 Annual Report and any public announcements made by the Company during the six months ended 31 December 2023 in accordance with the continuous disclosure requirements of the ASX Listing Rules.

The consolidated interim financial statements for the six months ended 31 December 2023 have been prepared in accordance with the accounting policies adopted in the 2023 Annual Report and the comparative interim period and have been consistently applied by the Company except for those that have arisen as a result of new standards, amendments to standards and interpretations effective from 1 July 2023. The Group has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to their operations and effective for the current half-year. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company during the period.

(a) Basis of consolidation

The consolidated interim financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 31 December 2023 and the results of all subsidiaries from the acquisition date to 31 December 2023.

Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed or has rights to variable returns from his involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls and investee if, and only if, the Group has all of the following:

- power over the investee
- exposure or rights to variable returns from its involvement with the investee
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. When the Group has less than a majority of the voting, or similar, rights of an investor, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangements with the other vote holders of the investee
- rights arising from other contractual arrangements
- the Group's voting rights and potential voting rights.

The relevant activities are those which significantly affect the subsidiary's returns. The ability to approve the operating and capital budget of a subsidiary and the ability to appoint key management personnel are decisions that demonstrate that the Group has the existing rights to direct the relevant activities of a subsidiary.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of profit loss and other comprehensive income from that date the Group gains control until the date the Group ceases to control the subsidiary. Where the Group's interest is less than 100 per cent, the interest attributable to outside shareholders is reflected in non-controlling interest ("NCI").

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the NCIs, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intragroup assets and liabilities, equity, income expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it de-recognises the related assets, liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Details of the Company's subsidiaries incorporated in Australia as at 31 December 2023 are as follows:

Name	Ownership %	Parent entity	Principal activity
Volt Geothermal Pty Ltd	84%	Earths Energy Limited	Renewable energy company
Within Energy Pty Ltd	84%	Earths Energy Limited	Renewable energy company
Heatflow Energy Pty Ltd	84%	Within Energy Pty Ltd	Renewable energy company

(b) Exploration & evaluation assets

Exploration and evaluation assets arising out of acquisition of an area of interest are capitalised as part of Exploration & Evaluation Asset. Subsequent exploration expenditure is expensed as incurred.

Expenditure on acquisition, exploration and evaluation relating to an area of interest is carried forward at cost where rights to tenure of the area are current and:

- it is expected that expenditure will be recouped through successful development and exploitation of the area of interest or alternatively by its sale; and/or
- exploration and evaluation activities are continuing in an area of interest but at reporting date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

A regular review is undertaken at each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. where uncertainty exists as to the future viability of an area the value of the area of interest is written off to the profit and loss or provided against.

Impairment

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment on a regular basis or whenever impairment indicators are present. When information becomes available suggesting that the recovery of expenditure which had previously been capitalised is unlikely or that the Group no longer holds tenure, the relevant capitalised amount is written off to the profit or loss in the period when the new information becomes available.

(c) Going concern

The consolidated interim financial statements have been prepared on a historical cost basis, and presented in Australian dollars, unless otherwise stated.

For the six months ended 31 December 2023, the Group made a loss of $711,467 (31 December 2022: $179,180) and the operating cash outflows amounted to $819,723 (31 December 2022: $183,936). At 31 December 2023, the Group's cash and cash equivalents amounted to $6,024,364 (30 June 2023: $4,877) and net current assets amounted to $5,514,116 (31 December 2022: net current liabilities $216,211).

The consolidated interim financial statements have been prepared on a going concern basis which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Company has been focused on assessing and acquiring new business opportunities and assets, specifically in the renewable energy sectors.

On 7 July 2023, the Company announced that it entered into a binding agreement to acquire Volt Geothermal Pty Ltd and Within Energy Pty Ltd with geothermal assets in Queensland and South Australia ("the Projects"). On the same date, the Company completed a placement of $850,000 at $0.02 per share plus a free attaching option with an exercise price of $0.05 and expiry of three years from date of issue. The issue of these options was approved by the shareholders on 5 December 2023 and notably will not require cash outlay from the Company. Detailed discussion of the acquisitions of Volt and Within and the approval of options was disclosed in note 11.

In December 2023, the Company completed the Acquisitions of 84% shareholding of both Volt Geothermal Pty Ltd ("Volt") and Within Energy Pty Ltd ("Within") via issuance of shares and on the same month, completed the capital raising offers and received cash proceeds of $6,000,000 to finance the work programs of the Projects. The Company would not require additional capital to fund ongoing activities and working capital requirements for the next 12 months from the date of authorisation of these financial statements.

The Group prepared a cash flow forecast for the next 12 months from the date of authorisation of these consolidated interim financial statements. The cash flow forecast supports that Group has sufficient funds to finance the Projects' work programme and for working capital purposes. Therefore, the Directors believe that it is reasonable for the Group to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the consolidated interim financial statements.

3. Critical Accounting Estimates & Judgements

The preparation of the consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these consolidated interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report as at and for the year ended 30 June 2023, except for the following:

a) The key estimate applied in the preparation of the consolidated interim financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities included the fair value of share-based payments, using the Black-Scholes option pricing model. Pursuant to the model, management is required to make certain assumptions and estimates. Changes in assumptions used to estimate fair value could result in materially different results.
b) When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset. Estimates and judgements are required by the Group, taking into consideration all available information at the acquisition date, to assess the fair value of assets acquired, liabilities and contingent liabilities assumed.

4. Income and Expenses

	31 December 2023 $	31 December 2022 $
Sundry income	-	11,821
Corporate and administrative expenses		
Accounting and audit fees	**38,418**	20,958
Compliance costs	**45,738**	16,893
Other expenses	**46,454**	35,643
	130,610	73,494
Consultancy fees, including directors' fees		
Directors' consulting fees	**96,000**	95.000
Other consultants	-	22,558
	96,000	117,558

The Sundry income represents an amount returned by Matador Capital Pty Ltd, a related entity in the previous financial year in relation to reduction of cost of recharges for that year.

5. Cash and Cash Equivalents

	31 December 2023 $	30 June 2023 $
Cash at banks	**6,024,364**	4,877

6. Other Receivables

	31 December 2023 $	30 June 2023 $
Prepayments	**22,593**	18,114
Security deposit	**29,496**	-
GST receivable	**57,619**	8,195
	109,708	26,309

The Security deposits represent amounts deposited for the guarantee of the tenements' permits held by the subsidiaries of the Company.

7. Exploration & Evaluation Assets

	31 December 2023 $	30 June 2023 $
Volt geothermal exploration project	**2,666,287**	-
Within geothermal exploration project	**2,666,287**	-
	5,332,574	-

The outstanding amounts above represent the identifiable exploration costs as a result of the acquisitions of Volt and Within in December 2023.

8. Trade and Other Payables and Loan Payable

(a) Trade and other payables

	31 December 2023 $	30 June 2023 $
Trade creditors	**243,097**	200,223
Accrued expenses	**370,994**	29,578
	614,091	229,801

(b) Loan payable

Loan payable - current	**5,865**	17,596
	5,865	17,596

Loan payable represents amounts drawn in June 2023 from a third-party financing company to fund the premium on insurance for the next financial year. The amount is payable in 10 equal monthly instalments, where the first instalment was paid on 30 June 2023.

9. Contributed Equity

		31 December 2023 $	30 June 2023 $
Issued capital			
750,324,547 fully paid ordinary shares (30 June 2023: 187,464,218)	(a)	**21,900,144**	11,034,280

(a) Movement in Issued Capital

		Number	$
1 July 2022 and 30 June 2023	Opening and ending balance	187,464,218	11,034,280
1 July 2023	Opening balance	187,464,218	11,034,280
7 July 2023	Issuance of shares for capital raising	42,500,000	850,000
28 December 2023	Issuance of shares for Acquisitions (note 11)	220,360,329	4,407,207
28 December 2023	Issuance of shares for capital raising (note 11)	300,000,000	6,000,000
28 December 2023	Capital raising costs	-	(483,743)
31 December 2023	Closing balance	**750,324,547**	**21,807,744**

Issuance of shares for capital raising
On 9 November 2023, through the Prospectus lodged in the ASX, the Group offered 300,000,000 shares at an issue price of $0.02 per share to raise up to $6,000,000 capital to fund the work program of the projects disclosed in note 11. The aforementioned shares offered will rank equally with the existing shares on issued.

As at 31 December 2023, funds with an aggregate amount of $6,000,000 was classified as part of the contributed equity and shares were issued as the conditional approval from ASX for re-compliance with Chapters 1 and 2 of the Listing Rules has been obtained. ASX approved the reinstatement to quotation of the Company's securities and the Company re-commenced trading on 7 February 2024 following re-compliance with Chapters 1 and 2 of the ASX Listing Rules..

Capital raising costs
Costs paid to lead managers for the capital raising in November 2023 and the completion the acquisitions of Volt and Within as disclosed in note 11.

10. Reserves and Non-controlling Interests

(a) Share-based payments reserve

	31 December 2023 $	30 June 2023 $
Share-based payments to lead managers	**147,943**	-

As part of the acquisitions of Volt and Within and disclosed in notes 11 and 12, on 6 December 2023, the Company's shareholders approved the issue of lead manager options of up to 15,000,000 to the lead manager as part of the capital offer in the Prospectus as disclosed in note 10.a above.

(b) Non-controlling interests

	31 December 2023 $	30 June 2023 $
Non-controlling interests	**852,961**	-

As part of the acquisitions of Volt and Within which were disclosed in note 11, the Group recognised the 16% share of the minority shareholders on the acquisitions as non-controlling interests; there were no changes on the outstanding balance since that date.

11. Acquisitions of Volt Geothermal Pty Ltd ("Volt") and Within Energy Pty Ltd ("Within")

On 7 July 2023, the Company entered into a binding agreement ("Volt Agreement" or "Within Agreement") to acquire 84% of all the issued shares in Volt Geothermal Pty Ltd ("Volt") and Within Energy Pty Ltd ("Within") (collectively "Acquisitions"), which hold geothermal assets in Queensland and South Australia ("the Projects")

On 31 October 2023, the Company executed binding share sale agreements to acquire 84% of the issued share capital of each of Volt and Within.

On 6 December 2023, the Company obtained shareholder approval for (among others) the following:

- a change to the nature and scale of the Company's activities as a result of the Acquisitions;
- the issue of 300,000,000 shares under the capital raising offer with an aggregate value of $6,000,000;
- the issue of 220,360,329 shares ("Vendors shares") to shareholders of Volt and Within (the "Vendors");
- the participation of the directors in the capital raising offer up to an aggregate of 21,250,000 shares;
- the issue of director options of 10,000,000 each to Mr Grant Davey and Mr Chris Bath and 4,000,000 director options to Mr David Wheeler;
- the issue of 15,000,000 lead manager options to the lead manager;
- the issue of the placement options of 42,500,000 (note 2c); and
- the issue of the following management options:

(a) Issue 29,018,016 management options to Mr Matt Kay as follows:

1) 11,018,016 Class A Management Options, comprising of:
   i. 5,509,008 Tranche 1 Class A management options ; and
   ii. 5,509,008 Tranche 2 Class A management options.

2) 18,000,000 Class B Management Options, comprising of:
   i. 6,000,000 Tranche 1 Class B management options;
   ii. 6,000,000 Tranche 2 Class B management options; and
   iii. 6,000,000 Tranche 3 Class B management options.

(b) Issue of 6,000,000 Class B management options to Dr. Trey Meckel (and/or his nominee), as the head of Subsurface Divisions of the Projects as follows:
   i. 2,000,000 Tranche 1 Class B management options;
   ii. 2,000,000 Tranche 2 Class B management options; and
   iii. 2,000,000 Tranche 3 Class B management options.

Subject to the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules, the above options granted by the Company will be classified by ASX as Restricted Securities and will be required to be held in escrow for up to 24 months from the Company's re-quotation to the Official List.

On 28 December 2023 (the "Completion date"), the Acquisitions were completed and the Company issued 220,360,329 shares at $0.02 per share.

Joint Venture Agreement

As part of the Acquisitions, the Company has also entered into a Joint Venture Agreement ("JVA") with the Vendors in respect of the Projects, which governs the terms and conditions upon which the Company, Volt and Within will operate and the conduct of the joint venture related to the Projects. The terms and conditions of the JVA below (amongst other matters) conclusively provided evidence that there is no joint control among parties over the decisions on the relevant activities (as defined below) in the Projects and therefore no joint arrangement exist:

- The Vendors will have no obligation to contribute funds to the JVA from the commencement date (or the date of Acquisitions) until the earlier to occur of:
  a. completion of a feasibility study in respect of the Volt Project and/or the Within Project;
  b. expenditure in respect of the JVA equalling $15,000,000 less any amounts reimbursed to the Vendors or otherwise provided to Volt or Within in accordance with the Volt Agreement and/or the Within Agreement;
  c. the fifth anniversary of the commencement date or referred to as the Free Carried Period;
- After the Free Carried Period, Volt and Within may issue cash calls to the shareholders of Volt and Within requiring them to contribute funds to the JVA in proportion to their respective JVA interests, and a failure to answer a cash call will result in the dilution of the relevant shareholder's JVA interest;
- From the commencement date, the board of directors of Volt and Within will comprise of the Company's nominees;
- The Company and the Vendors will form an operating committee which will be responsible for the overall management and operation of the JVA (referred to as relevant activities), including the approval of work programs and budgets. The operating committee will comprise of:
  a) three nominees of the Company;
  b) one nominee each of the Volt Vendors and Within Vendors
- The decisions of the operating committee will be made by simple majority approval, excluding certain reserved matters which will require the unanimous approval of the operating committee;
- The quorum for a meeting of the operating committee is two members, with one having been nominated by the Company and one having been nominated by the Vendors;
- The Company will be appointed as the manager of the JVA. The Company's appointment as manager may be terminated if (amongst other matters), the Company's JVA interest is reduced to less than 25%.
- The Company has an option to purchase the JVA interests held by the Vendors which may be exercised at any time following the third anniversary of the commencement date;
- The Vendors have an option to require the Company to purchase all of their JVA interests, which may be exercised at any time prior to the third anniversary of the commencement date; and
- The Company and the Vendors agree to jointly investigate and explore for geothermal resources in Queensland and South Australia (or such other region as agreed between the parties) (Area of Interest).

As a result of the Acquisitions and the Company owning 84% of all the issued shares of Volt and Within, the Company has assessed it has control over Volt and Within based on the relevant accounting standard. Accordingly, the financial report for the six months ended 31 December 2023 includes the financial position as at 31 December 2023 and the results of operations of Earths Energy Limited and its controlled entities. The remaining 16% shareholding in Volt and Within was accounted for as non-controlling interest as at the same date.

Share options and valuations

The fair value of the equity-settled share-based payments granted as part of the relisting process is estimated at the date of grant using a Black and Scholes model, which considers factors including the exercise price, volatility of the underline share price, the risk-free interest rate, market price of the underlying share at grant date, historical and expected dividends, the expected life of the option and, the probability of fulfilling the required hurdles.

The following table represents the vesting conditions attached to the options:

	Class A Management Options		Class B Management Options			Director Options		Lead Manager Options		
Item	**Tranche 1**	**Tranche 2**	**Tranche 1**	**Tranche 2**	**Tranche 3**	**Class A**	**Class B**	**Class A**	**Class B**	**Class C**
Grant date	28/12/23	28/12/23	28/12/23	28/12/23	28/12/23	28/12/23	28/12/23	28/12/23	28/12/23	28/12/23
Underlying spot price	$0.02	$0.02	$0.02	$0.02	$0.02	$0.02	$0.02	$0.02	$0.02	$0.02
Exercise price	$0.00	$0.00	$0.0	$0.10	$0.15	$0.00	$0.00	$0.02	$0.04	$0.06
Last vesting date	27/12/26	27/12/26	27/12/24	27/12/25	27/12/26	27/12/28	27/12/28	28/12/23	28/12/23	28/12/23
Performance period (yr)	3	3	1	2	3	5	5	-	-	-
Expiry date	27/12/26	27/12/26	27/12/26	27/12/27	27/12/28	27/12/28	27/12/28	27/12/26	27/12/26	27/12/26
Life of the options (yr)	3	3	3	4	5	5	5	3	3	3
Volatility	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Risk-free rate	3.76%	3.76%	3.76%	3.68%	3.68%	3.68%	3.68%	3.76%	3.76%	3.76%
Dividend yield	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Number of options	5,509,008	5,509,008	8,000,000	8,000,000	8,000,000	12,000,000	12,000,000	5,000,000	5,000,000	5,000,000
Valuation per option	$0.020	$0.020	$0.009	$0.008	$0.008	$0.020	$0.020	$0.012	$0.009	$0.008
Valuation per tranche	$110,125	$110,125	$68,547	$63,981	$67,741	$239,881	$239,881	$61,374	$47,413	$39,156

Only the lead manager options were valued and recognised as part of share-based payments reserve as at Completion date as these options do not have a vesting period. These options were also issued as part of the capital offer.

All other options have vesting period and will be expenses over the vesting period of the options.

The cost of consideration and net assets acquired are summarised as follows:

	2023
	$
Fair value of Frontier shares (220,360,329 shares at $0.02 cents per share)	4,407,207
Share of minority shareholders	839,468
Transaction costs	84,333
	5,331,008
Identifiable fair value of net assets acquired:	
Trade and other receivables	32,266
Exploration & evaluation assets	5,332,573
Trade and other payables	(33,831)
	5,331,008

12. Dividends Paid or Provided for on Ordinary Shares

No dividend has been paid or provided for during the period (31 December 2022: nil).

13. Events Subsequent to Reporting Date

On 29 February 2024, the subordinated debt facility between the Company and Davey Management was terminated by mutual agreement.

Other than as noted above, at the date of this report there are no matters or circumstances which have arisen since 31 December 2023 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 December 2023, of the Consolidated entity;
- the results of those operations, in financial years subsequent to 31 December 2023, of the Consolidated entity; or
- the state of affairs, in financial years subsequent to 31 December 2023, of the Consolidated entity.

Directors' Declaration

In accordance with a resolution of the directors of Earths Energy Limited, I state that in the opinion of the directors:

(a) the interim financial statements and notes of the Company are in accordance with the *Corporations Act 2001* including:

(i) giving a true and fair view of the Company's financial position as at 31 December 2023 and of its performance for the six months ended on that date; and

(ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, and the *Corporations Regulations 2001*; and

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Directors

Grant Davey
Executive Director

8 March 2024

Perth

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Independent auditor's review report to the members of Earths Energy Limited

Conclusion

We have reviewed the accompanying half-year financial report of Earths Energy Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst & Young

Ernst & Young

Pierre Dreyer
Partner
Perth
8 March 2024